

GE  
ing a Phrase

BRITISH OPEN  
BALESTEROS WINS  
See Sports, Page 15

# INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

No. 32,782

29/88

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PARIS, TUESDAY, JULY 19, 1988

Algeria ... 5.00 Drs. Iran ... 115 Rials Oman ... 1,000 Rials  
Austria ... 2.25 S. Israel ... NS. 2.80 Portugal ... 145 Esc.  
Belarus ... 1,000 Belarussian ... 1,000 Lire Costa Rica ... 8.00 Rads  
Belgium ... 20 Fr. France ... 1,000 Fr. Rep. of Ireland ... 75 P.  
Camer ... C. 8.00 Kenya ... Shs. 25 Saudi Arabia ... 7.00 R.  
Cyprus ... C. 6.00 Kuwait ... Dinar 1.00 Libya ... 1.00 S.D.  
Denmark ... 11.00 Dkr. Libya ... 1.00 N. Rhodesia ... 1.00 S.D.  
Egypt ... E. 2.00 Morocco ... 150 Fr. Switzerland ... 5.00 S.P.  
France ... 7.50 F. Morocco ... 150 Fr. Turkey ... 3.70 D.  
Germany ... 2.70 D.M. Netherlands ... 3.00 F. U.A.E.  
Great Britain ... 5.00 N. Norway ... 9.00 N. U.S. M.R. (Ex. 10.00)  
Greece ... 130 Dr. Nigeria ... 7.00 North Yugoslavia ... 3.00 D.

ESTABLISHED 1887



Mr. Jackson and Mr. Dukakis after their talks on Monday at the convention in Atlanta on smoothing out their differences.

## Jackson Is Assured of Major Role

The Associated Press

ATLANTA — Governor Michael S. Dukakis and the Reverend Jesse L. Jackson held peace talks Monday just hours before the Democratic National Convention opened, with Mr. Jackson pledging unity in the fall campaign and Mr. Dukakis promising an increased role for his rival's supporters in the party.

Mr. Dukakis said they had struck no deals, but predicted they would forge "the strongest grassroots organization" ever formed in a campaign for the White House.

"I want Jesse Jackson to play a major role in this campaign," Mr. Dukakis said at a news conference after the meeting. "I want his supporters, who are out there by the millions, to be deeply involved in this campaign — and he is going to be involved actively and fully."

In turn, speaking of the November election, Mr. Jackson said, "We intend to win."

He did not, however, offer an outright endorsement of Mr. Dukakis.

Mr. Jackson said he would not challenge Mr. Dukakis's choice for the No. 2 spot on the ticket, but also indicated he would not prevent

supporters from putting his name in nomination, a courtesy ritual acceptable to the Dukakis camp.

Mr. Jackson said he was still "looking for a Chicago-miracle" Wednesday night, when the presidential nominating roll is called.

"If the miracle does not come to pass, then we'll have to pass over to the next phase of our campaign," Mr. Jackson said.

Tensions have been running high between the campaigns ever since Mr. Dukakis passed over Mr. Jackson last week and picked Senator Lloyd Bentsen of Texas as his running mate.

The meeting was the first face-to-face discussion between Mr. Dukakis and Mr. Jackson since a July 4 dinner at the governor's home in Brookline, Massachusetts. Though they have talked by telephone, they had not met since Mr. Dukakis picked Mr. Bentsen as his running mate.

Mr. Jackson, who had been putting pressure on Mr. Dukakis for what he called shared responsibility in Democratic affairs, said:

"We're on a track that would lead to expanded involvement."

He played down his demands, which others say call for a major role for Mr. Jackson in shaping the administration if Mr. Dukakis wins. "I seek no job, no salary, no title," Mr. Jackson said. "I seek to serve, to keep America strong, and to make America beautiful."

The two leaders had nearly three hours of talks in an Atlanta hotel just hours before more than 4,000 delegates were to gather for the opening session of a convention that will nominate Mr. Dukakis on Thursday night as the party's presidential candidate in the November elections.

Mr. Dukakis said he had not forged an agreement with Mr. Jackson.

"There's no deal," Mr. Dukakis said. "There's no fine print. That's not the way you win elections."

Republicans, meanwhile, gloated about the attention Mr. Jackson was stealing from the nominee-in-waiting. At a Republican news conference, a former White House political strategist, Ed Rollins, quoted Mr. Dukakis as saying there can be only one quarterback for the campaign.

The White House has planned an unusually light public schedule for the week as part of a deliberate effort to keep a low presidential profile during the Democratic National Convention.

In response to a question about why Iran had reversed course and accepted the cease-fire, Mr. Fitzwater said that it was "very difficult to determine all the motives behind this move."

Despite U.S. attempts to pressure Iran with a call for an arms embargo, China and the Soviet Union had blocked such a follow-up resolution.

A statement distributed by the Iranian news agency, and monitored in Cyprus, said that the resolution was adopted.

"Undoubtedly, bravery and defense of Islam do not always surface on battlefields, but adopting new methods that can change the scene in favor of Islam and neutralize conspiracies are other manifestations of bravery."

The Iraqi information minister, Nassif Lattyif Jassef, said Baghdad had not yet been officially informed of the Iranian letter.

If both Iran and Iraq adhere to the resolution, it would end fighting in the Gulf conflict, including attacks on each other's shipping lanes known as the "tanker war."

Several hours after the Iranian news agency dispatch, Iraq reported that helicopters had flown 61 combat missions against Iranian

troops during the day, inflicting "losses in men and equipment."

Mr. Pérez de Cuellar met the Iranian and Iraqi ambassadors Monday afternoon. He said the first thing he would do would be to send 10 officers from the UN Truce Supervision Organization to Tehran and Baghdad to work out technical details. Then, he added, 250 officers would go to the front to monitor the cease-fire.

The issue of withdrawal to international borders appears to have been made moot by withdrawals a week ago by the Iranians and announced on Sunday by Iraq. That had been one sticking point in the UN negotiations.

Even Iranians at the United Nations expressed surprise at the timing of the announcement. The chief delegate of Iran, Mohammed Jaafar Mahallati, notified the secretary-general at midnight of the decision, handing him a letter from President Ali Khamenei that said:

"We have decided to officially See GULF, Page 5

ON PAGE 6  
• Black delegates reflect on a decades-long journey.  
• The resurrection of Jimmy Carter is under way.  
• For TV insiders, Dan and Walter upstage the pols.

## Kiosk

### Protest Delays Trial in Seoul

SEOUL (AP) — The corruption trial of the brother of former President Chun Doo Hwan was disrupted on Monday by protesters who hurled eggs at the defendant and demanded that he be executed.

About 50 radical students and dissidents burst into the court yelling "Execute Chun!" They pelted the defendant, Chun Kyung Hwan, and others with eggs, potatoes and other objects on the first day of hearings in the trial.

Court officials suspended the trial until Aug. 8, and Mr. Chun and 12 other defendants were taken away by the police. Mr. Chun, 46, is accused of embezzling about \$10 million from Saemaul Undong, or New Community Movement, a development program under his brother's government.

Mr. Chun has issued no specific list of demands, his negotiators and other aides have made it clear that he expects to be represented at every level of Government Michael S. Dukakis's campaign in the fall.

That would seem to include leadership roles for Jackson supporters in city, county, state, regional and national campaign organizations, and possibly designation as "chief surrogate" or as co-chairman of the Democratic National Committee for the Chicago clergyman himself.

In past campaigns, presidential nominees have usually made a few gestures toward their defeated rivals, sometimes taking on board a few of the rivals' ablest operatives,

and let things go at that. The wholesale blending of organizations is thus a very new idea.

ATLANTA — The kind of partnership and shared responsibility that the Reverend Jesse L. Jackson is seeking for himself and his followers in the campaign thus far exceeds what any loses in a presidential nominating race has ever sought or been granted.

Although Mr. Jackson has issued no specific list of demands, his negotiators and other aides have made it clear that he expects to be represented at every level of Government Michael S. Dukakis's campaign in the fall.

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and let things go at that. The wholesale blending of organizations is thus a very new idea.

In 1960, John F. Kennedy ran both his pre-convention and post-convention campaigns (and, later, the White House) with an essentially unchanged core of intimates, many of them New Englanders. In 1968, Richard M. Nixon brought few of Nelson Rockefeller's political hands into his post-convention effort, although he did make a place for Mr. Rockefeller's foreign-policy adviser, Henry A. Kissinger.

In 1980, Ronald Reagan made political history by asking James A. Baker 3d, the campaign manager of the man he had just beaten, George Bush, to head his general election organization. But in the same year, Jimmy Carter stuck with his own people, and his Democratic rival, Senator Edward M. Kennedy, never fully supported him.

In an interview on Friday, Mr. Carter spoke of "the difficulty of bringing in new advisers who were

See JACKSON, Page 6

See MEES, Page 6

A Former Heretic Becomes a Visionary

By Felicity Barringer  
New York Times Service

MOSCOW — Sigmund Freud, long scorned by Soviet physicians as a quack and by Marxist ideologists as a heretic, now seems hailed as a visionary by a small number of Soviet psychiatrists trying to give a society in turmoil and change some new ways to understand itself.

In a challenge to medical and ideological orthodoxy, the psychiatrist says Freud's theories — antithetical to the Soviet dogma that the mind can be known only through study of the body — offer psychiatrists badly needed tools.

"It has become clear that the sphere of the subconscious is an immense source of reserves of the human psyche," one of the psychiatrists, Dr. Ivan Belkin, wrote in Literaturnaya Gazeta on June 1, acclaimed Freudian theory.

"By having abandoned serious and profound research into it," he said, "we have deprived hundreds

of thousands of patients of medical aid, and in addition, lessened the capability of whole generations of creative workers."

The article served as a preface to published excerpts from a screenplay by John Paul Sartre for a movie about Freud. It was illustrated with a large photograph of Freud, the first known to appear in the Soviet press in half a century.

As Dr. Belkin talked in his office at the All-Union Psychoendocrinological Center, a self-made psychoanalyst, Sloyan Deligeriyev, 41, was offering street-corner counseling using the Arabo-pedestrian mail to S. S. Belkin.

For Dr. Belkin, David Dubrovsky and others are striving to reintroduce Freud to the intellectual elite. Mr. Deligeriyev and other self-described analysts are trying to popularize Freud's teachings for the masses, working on sidewalks or in storefronts.

How did Mr. Deligeriyev gain access to Freud's writings when

formist leader, remake society by helping citizens remake themselves."

He did not say so, but by giving intellectual respectability to Freud, Soviet psychiatry would be earning a measure of international respectability for itself. Its image has been tarnished by reports about wide use of psychiatric confinement as a method of repressing dissidents.

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How did Mr. Deligeriyev gain access to Freud's writings when

they have been locked away in libraries for so many years?

"You can prohibit people from walking, but they are going to walk anyway," he said.

Police officers have detained him 23 times since he put up a sign last winter and started taking walk-in business. "I don't blame them," he said. "They don't understand any of this. It is not their fault that they are illiterates in this realm."

Police officers have detained him 23 times since he put up a sign last winter and started taking walk-in business. "I don't blame them," he said. "They don't understand any of this. It is not their fault that they are illiterates in this realm."

From 5,000 to 6,000 customers a day, most of them young Yugoslavs, cram into the 300 seats of the two-story converted house that McDonald's rebuilt on Slavija Circle in Belgrade. Massing at the stainless-steel counter without any

semblance of order, they shout orders for burgers and shakes at an equally anarchic army of uniformed workers who wait on the other side.

In any case, the McDonald's res-

taurant that opened in this capital in March, the first in the Communist world, quickly became the fast-food chain's second-biggest-selling outlet in Europe, behind the McDonald's in central Rome, which caters to U.S. tourists.

"People here, especially young people, see it as a taste of America," said Slobodan Markovic, a harried assistant manager. "Especially chocolate milk shakes on Sunday. We can't make enough to keep up."

Starting with a more limited menu than in other outlets, the McDonald's in Belgrade plans to expand. "Our next priority is fish fillets and apple pies," says Mr. Markovic. "You can't get anything like a fish fillet in Yugoslavia."

That is not to say that the restau-

rant has been a complete winner. In fact, controversy over it raged at least two years before it opened.

"McDonald's is an imported

gimmick, and too expensive," said a Belgrade journalist who has yet to set foot beneath the golden arches.

For months, the company's

plans to open in Belgrade were held up because of a fierce struggle over its attempt to locate on a pedestri-

an street in Belgrade's modest historic center, mostly composed of repainted 19th-century buildings.

As diplomats tell it, McDonald's and its Yugoslav partners were pit-

ted against the will of one woman on the neighborhood's preservation committee. She won. Even an offer by McDonald's of a trip to Zurich to see its shop there failed to sway her.

Now that the outlet is finally

open about a mile (about 1.5 kilo-

meters) away, Belgrade newspapers have reported, and Mr. Markovic confirms, that as much as 40 per-

cent of the shop's new staff quit

after a few days or weeks on the job

because they dislike the U.S.-style

pressure to work.

## Iran Accepts UN Resolution On Cease-Fire in the Gulf War

### U.S. Hails 'Major Step'

By Lou Cannon  
Washington Post Service

SANTA BARBARA, California — The White House welcomed on Monday Iran's acceptance of a United Nations resolution for a cease-fire in the Iran-Iraq war.

Officials said it could lead to a reduction of the U.S. military presence in the Gulf and ultimately to normalization of relations with Iran.

"This major breakthrough is an important first step toward the outcome that we and all members of the Security Council have sought for the last year," said the White House spokesman, Martin Fitzwater.

"It opens the way to an end to the eight-year tragic war and restoration of stability in a troubled area of the world."

Mr. Fitzwater said the national security adviser, Colin L. Powell, had called President Ronald Reagan, who is taking a week's vacation at his mountaintop ranch northwest of here, to inform him about the Iranian action.

The importance that the White House attached to the Iranian decision was emphasized by the on-camera briefing given by Mr. Fitzwater after a conference with Mr. Powell and other officials.

The White House has planned an unusually light public schedule for the week as part of a deliberate effort to keep a low presidential profile during the Democratic National Convention.

In response to a question about why Iran had reversed course and accepted the cease-fire, Mr. Fitzwater said that it was "very difficult to determine all the motives behind this move."



The UN secretary-general, Javier Pérez de Cuellar, speaking Monday on the Iranian acceptance of a cease-fire resolution.

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## Waves of Mozambican Refugees Swamp Malawi

By Sheila Rule  
New York Times Service

NSANJE, Malawi — More than 600,000 Mozambicans, fleeing the fury of war, have crowded into the tiny country of Malawi in the last 20 months. As hundreds more stumble across the border each day, there appears to be no foreseeable end to the waves of desperate people.

Relief organizations and the government of Malawi, one of Africa's poorest and most densely populated countries, are struggling to provide food and services for the refugees.

At the same time, they are trying to ease acute food shortages among hundreds of thousands of Malawians after a devastating insect infestation and pockets of drought.

Relief agency officials estimate that at the current rate of arrivals the number of refugees could reach 750,000 within five months. The ratio of refugees to the local population in Malawi, a country of

about 7.5 million people, is said to be one of the highest in the world. "Normally, we see children who are malnourished," said Marc Fortier, the head of the Malawi delegation of the League of Red Cross and Red Crescent Societies and relief adviser to the Malawi Red Cross, which has been in the forefront of humanitarian efforts.

"But we have been receiving people 20 and 25 years old who are skeletal, and that is abnormal," he said. "Many have been living without enough food for months and months."

"You can't call the relief operation stable," Mr. Fortier said. "The main problem is the recurring influx. In the last two months, we have been getting more than 2,000 people every day. We need more trucks, warehouses, blankets and food, which takes time to enter the pipeline and reach the country."

"It is difficult for the government to absorb so many Mozambicans when it has its own problems." Large numbers of refugees began arriving in September 1986, when

fighting stepped up in Mozambique's 13-year war, which pits the anti-communist Mozambican National Resistance against the Marxist government of President Joaquim Chissano. The Mozambican countryside has been devastated.

Hundreds of thousands of people are running from war, hunger, poverty and disease. They are flowing not only to Malawi but also, in far fewer numbers, to Tanzania, Zambia, Zimbabwe, South Africa and Swaziland.

Many who remain in Mozambique are threatened by starvation because the war has disrupted their subsistence farming.

The flight is nowhere more graphic than along the two-lane highway that runs from Dedza to Nchera and serves as a border between Mozambique and Malawi. On the Mozambican side, spectacular mountains are a backdrop to eerie desolation. Abandoned houses with no roofs and crumbling walls stand in wild vegetation. For as far as the eye can see, there are no signs of human life.

Their property has been looted or destroyed, and they come with nothing. Many have not seen a piece of soap or blankets in as

many as seven years, relief workers say. They survive on leaves and roots on their journey.

Zura Shova, wearing a dirty grain sack as clothing, arrived at a reception center in Nsimbe, about a mile (1.5 kilometers) from the border. He said he had walked for three days with his 7-year-old daughter to reach this patch of sandy ground. The seemingly endless war had found its way to Mr. Shova's farm in the province of Zambezia in central Mozambique.

"My wife and I ran in different directions," Mr. Shova said as his daughter, whose nakedness had been covered with a blanket, leaned against him near a tent that served as a registration office. "My wife ran with three of our children, and I ran with one. My daughter and I begged for food along the way."

As the government searches for plots of land on which to settle more arrivals, the refugees are severely stretching health, water and other services in a country whose

own rates of child mortality and malnutrition are among the highest in the world.



## Soviet Leadership Bars Rebellious Territory From Joining Armenia

By Felicity Barringer  
New York Times Service

MOSCOW — The Soviet government rejected on Monday a proposal that it accommodate a rebellious region's desire to break away from the republic of Azerbaijan, according to the Soviet press agency Tass.

Throughout the late afternoon and evening, Tass, which normally publishes no details of debate in the Presidium, ran summaries of the day's emotional oratory. It ranged from Armenian pleas for historical justice to Azerbaijani condemnation of extremist agitators to conservative hints that further unrest could not be tolerated.

A speech at the meeting by the Soviet leader, Mikhail S. Gorbachev, was not reported, however, except for a terse summary which said that Mr. Gorbachev had stressed the urgency of the issue and called for "reciprocal steps" by all parties to the conflict.

Tass said that his comments would be reported on Tuesday.

■ Debate in the Presidium

The Armenian parliamentary leader, Hrant M. Voskanyan, said at the special session, "We have been unable to convey to members of the Presidium the acuteness and tragedy of the situation in Armenia and Nagorno-Karabakh," Reuters reported from Moscow.

Mr. Voskanyan clashed with his Azerbaijani counterpart, Suleyman Tatiyev, when he demanded a determination for Nagorno-Karabakh, Tass said.

Mr. Tatiyev responded by accusing Nagorno-Karabakh of "total insubordination" and declared that the region, governed by Azerbaijan since 1923, had no justifiable political, economic or legal grounds for territorial transfer.

## WORLD BRIEFS

### Mrs. Mandela Gives Birthday Address

JOHANNESBURG (AP) — Police bans and tight security prevented major public celebrations Monday on the 70th birthday of Nelson Mandela, the jailed black nationalist leader, but his wife said the day still focused attention on "the crimes of apartheid."

Mr. Mandela's wife, Winnie, said at a news conference in Johannesburg that she was disappointed that all the planned celebrations in South Africa, including a Sunday concert in the Soweto township, had been prohibited. "We had every intention of conveying a message of goodwill and of hope with that concert," she said.

But Mrs. Mandela said she was humbled by the worldwide attention focused on Mr. Mandela, the leader of the African National Congress, who is serving a life sentence for plotting to overthrow white rule.

### Palestinians Strike and Another Dies

JERUSALEM (AP) — Palestinians in the occupied territories held a general strike Monday, and a hospital official said that an Arab man had died of gunshot wounds suffered in an earlier clash with Israeli troops.

Also, Arab reports said that the Israeli authorities had closed four more schools in the West Bank, bringing to 55 the number of school closings. Israel asserts that the schools have become centers of unrest.

An official at Maqassed Hospital in Jerusalem said that Jamal Kadouni, 29, of Ein Bet al Maa refugee camp near Nablus, died Monday of a gunshot wound to the head. He had been shot during a clash in the West Bank on July 10.

### Rebels Reject Philippine Peace Talks

MANILA (AP) — Communist rebels rejected an offer of new peace talks with President Corazon C. Aquino's government Monday, saying that the administration merely wanted to trap leaders of the 19-year-old insurgency. The rejection came hours after rebels killed a provincial official in Lucena, 60 miles (100 kilometers) southeast of Manila.

In a statement sent by courier to news agencies, the general command of the rebel New People's Army said that the Aquino government had no credibility following the collapse of peace talks last year.

After a call last week by the Catholic Bishops' Conference of the Philippines for the government and the rebels to revive peace talks, Mrs. Aquino said she would agree to new peace talks if the rebels made the first move.

100 Killed in India as Rains Arrive

NEW DELHI (Reuters) — The rains for which India has been praying have arrived with a vengeance, bursting dams, drowning villages, destroying crops and killing up to 100 people in the last four days.

In the central state of Uttar Pradesh, more than 1.2 million people were affected as rivers burst their banks and inundated low-lying villages, the Press Trust of India reported Monday.

The government announced 60 million rupees (\$4.3 million) in relief funds for the state, and medical teams were working round the clock, officials told the news agency. Whole areas of north India were cut off from the rest of the country as mud and rocks crashed down across vital road links.

### Gunman Slays 4 in North Carolina

WINSTON-SALEM, North Carolina (Combined Dispatches) — The operator of a motorbike repair shop went on shooting spree with a rifle and a .38-caliber pistol in a residential neighborhood near Winston-Salem, killing four persons and wounding six, before being wounded and taken into custody by the police, authorities said Monday.

The shooting occurred late Sunday night, officials said. The police said that the gunman had been involved in a disturbance Saturday and that consideration had been given to committing him to a psychiatric institution.

The suspect, Michael Charles Hayes, 24, was listed in critical condition with wounds to his back, groin and right leg. Mr. Hayes was employed at the shop but the reasons for the rampage were unclear. (AP, UPI)

### For the Record

Zimbabwe issued an apology Monday to the British Labor Party leader, Neil Kinnock, for detaining him at gunpoint at an airport for an hour Sunday after he arrived for a visit. "The people and government of Zimbabwe deeply regret the most unfortunate embarrassment caused to our dear friends and comrades at arms, the Honorable Mr. Neil Kinnock and his gracious wife," it said.

North Korea has rejected a South Korean proposal for a meeting to discuss student visits and sports encounters between the two countries, Pyongyang's Korean Central News Agency reported Monday. (AP)

A suspected car bomber in Beirut blew himself up in a car loaded with 20 kilograms (44 pounds) of explosives, militia sources said. Militiamen had refused the driver permission to park outside their offices but he apparently already set a timing device before turning and stopping across the street, a spokesman said.

Travel Update

Cut rates for flights between West Berlin and West Germany have been barred by Britain, France and the United States. Trans World Airlines, one of three airlines newly entering the route, had planned a two-month offer of tickets for 159 marks (\$86). Pan American World Airways said it would match that. But a spokesman for the British Embassy in Bonn said Monday that the Allies had decided to bar the cheap rates.

A record number of Japanese will go abroad this summer, and their spending will surpass \$3 trillion yen (\$23 billion) for the first time, the Japan Travel Bureau said Monday. Japanese tourists around the world are expected to number 1,665,000 in July and August. (AP)

Passenger traffic at the Republic of Ireland's three main airports rose nearly by a quarter in the last six months, the airport authority said Monday. It said a total of 2,64 million passengers flew into Dublin, Shannon and Cork airports in the first six months of 1988. (Reuters)

October 1988

3 MONDAY

4 TUESDAY

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The International Herald Tribune and Leo Burnett Limited are cosponsoring a major international conference in Amsterdam on October 4. The conference "1992: A Single Minded Vision - Marketing and Media Across One Market" is designed to brief senior management with marketing, advertising and media responsibilities on the implications of 1992 for their industry.

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For further information, please send your business card to: Conference Office, "1992: A Single Minded Vision", International Herald Tribune, 63, Long Acre, London WC2E 9JH. Tel.: (44-1) 379 4302. Telex: 262009. Fax: (44-1) 240 2254

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(Reuters)

(Reuters)</

# Leadership Bars Russia's Territory Joining Armenia

Vladimir V. Shcherbinin, conservative Politburo member, warned in a passionate speech that "everything goes wrong" and "nothing can be done" without "a leader." He had a leader.

Throughout the last year, he has given a speech — a new speech — every day. He has spoken of the day's emotional crisis from Armenian leaders' condemnation of American justice to American legislation.

The decision to banish the main speech and a new speech explain the decision to banish the day's emotional crisis from Armenian leaders' condemnation of American justice to American legislation.

A speech at the meeting of Soviet leaders, Mikhail Gorbachev, was not reported except for a brief summary. It said that Mr. Gorbachev emphasized the urgency of the situation and called for "responsible" parties to the conflict.

Tass said that his speech would be reported on Tuesday.

**Debate in the Press**

The Armenian press, under Bryant M. Volkanov, editor of the special section, was not able to convey the message of the situation and Nagorno-Karabakh reported from Moscow.

Mr. Volkanov chose Armenian counterparts, rather than Armenian leaders, when he chose to determine for Nagorno-Karabakh.

Mr. Volkanov reported during Nagorno-Karabakh's "interordination" that the region opened up again since 1923, but the political consequences for territorial

## WORLD BRIEFS

### Aleksander Gorbachev Gives Birthday Address

By William J. Broad  
*New York Times Service*

**NEW YORK** — After more than two days of toil, engineers at the Kennedy Space Center in Florida have pinpointed the source of a leak in a small and hard-to-reach space shuttle fuel tank and strung a way to fix it.

Officials said repairing the breach could send the shuttle Discovery back from the launching pad to the hanger for repairs, delaying by as much as two months the first U.S. shuttle flight since the Challenger disaster in January 1986.

A final decision on how to deal with the problem might not come for days as various repair options are developed and weighed, the officials said over the weekend.

"The dilemma they're facing is

that there are no access panels to that part of the engine pod," said Karl Kristofferson, a spokesman at the space center. "There's just no way to get to it on the pad unless somebody comes up with something ingenious. In the past, the launching team has solved a lot of seemingly impossible problems, both in shuttle and Apollo programs. Maybe they'll find a way."

However, officials did decide to press ahead with a critical test-firing of the shuttle's main engines on July 28, keeping the orbiter on the pad at least until then. The leaking part was drained Sunday and is not expected to interfere with that test. Officials said going ahead with the test would probably shave a couple of weeks from delays caused by a trip to the hanger.

After a frustrating round-the-clock search that began early Friday, the tiny leak was found deep

inside a 27-foot-long (8.2-meter) pod that is packed with fuel tanks and engines for positioning the shuttle in orbit. The faulty part was a seal on a one-half-inch metal line leading to a small fuel tank.

Using long visual probes, engineers were able to watch the fuel leak in progress.

"They're now satisfied they know where it is, what it is, and how bad it is," Mr. Kristofferson said. "It's not a large leak, but any leak in a system like this is a bad leak. It has to be fixed."

About 100 engineers and technicians have been laboring on the problem. Engineers are wrestling with whether the leak can be fixed on the launching pad, or whether the 11-million-pound (4.9-million-kilogram) shuttle system will have to be rolled back 4.2 miles (6.7 kilometers) to its hanger.

On July 4, Discovery was moved

to launching pad 39-B at the Kennedy Space Center in a ceremony aimed at improving worker morale and showing the world that the shuttle program was back in business. The four-day mission is still officially scheduled to begin the first week of September.

A rollback and possible two-month delay would be a severe blow to the National Aeronautics and Space Administration's shuttle program. It has had many setbacks since the Challenger explosion killed the seven crew members. A rollback could hurt morale, finances and scheduling and possibly push a rescheduled launching into the weeks around the November election.

The leak was discovered by launching pad personnel early Friday morning when a faint odor of nitrogen tetroxide gas was detected. The gas, which is toxic in heavy concentrations, serves as an oxidizer for the steering engine's fuel, monomethyl hydrazine, in the oxygen-poor space environment.

Initially, engineers believed the fuel leak was in the left Orbital Maneuvering System engine, one of two thrusters used to steer the shuttle in orbit. These thrusters are smaller than the shuttle's three main engines, which help boost the craft from the launching pad.

But over the weekend, the suspected area was narrowed to an even smaller engine in the 27-foot-long pod.

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### U.S. Navy Man Defects to Moscow

By Charles R. Babcock  
*Washington Post Service*

**WASHINGTON** — A missing U.S. Navy veteran who had special intelligence clearance and is the subject of an FBI espionage investigation has shown up in Moscow and been granted political asylum.

The Soviet government daily Izvestia reported Sunday that "Glen Michael Souther" had asked for asylum because "he had to hide from the U.S. Special Services, which were pursuing him groundlessly."

The newspaper identified him only as a U.S. citizen. It did not say how long he had been in the Soviet Union.

A spokesman for the U.S. Embassy in Moscow said he was unaware of the case. But a spokesman for the Federal Bureau of Investigation in Washington said the man granted asylum was Glenn Michael

Souther, a former navy enlisted man in his early 30s who disappeared in May 1986, shortly after graduating with a degree in Russian from Old Dominion University in Norfolk, Virginia.

The spokesman said he could not comment further because of a pending espionage investigation of Mr. Souther.

One official said Sunday that FBI and navy officials were concerned about Mr. Souther's disappearance because he had special security clearances, including access to satellite photo data, while on duty with the Sixth Fleet in Italy in the early 1980s.

Another official said Mr. Souther had been assigned as an active reservist to the Naval Intelligence Center in Norfolk.

"He could give away information that could be valuable," one official said.

Mr. Souther disappeared shortly after being questioned by FBI counterintelligence agents. He is known to have visited his mother in Illinois and used a one-way ticket to Rome, the home of his former wife and son.

One U.S. intelligence expert said Sunday that investigators had been acting "on more than suspicion, but didn't catch him in the act" of espionage. Therefore, they could not hold Mr. Souther at the time.

He added that it was likely that Mr. Souther entered the Soviet bloc soon after he disappeared and that the Soviets "finished hearing any-

thing he had to offer" before they made the asylum announcement.

Norfolk newspapers reported in November 1986 that FBI agents had questioned Mr. Souther's friends and professors. It was unclear at the time, however, whether they had evidence of espionage or whether they were acting aggressively after the spy scandals involving another former U.S. Navy man, John A. Walker Jr., and some of his relatives and the defection of the former CIA agent, Edward L. Howard.

Mr. Souther joined the navy in 1975 and left active duty in late 1982 with the rank of photographer's mate.

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### Death Toll Almost 400 In Chinese Heat Wave

Agence France-Presse

**BEIJING** — A two-week heat wave in China has killed nearly 300 people in the city of Nanjing alone, the Xinhua news agency reported Monday.

It quoted an official at the meteorological station in the southern city as saying that "more than 200 people, most of them elderly," had died as temperatures soared above 38 degrees centigrade (100 Fahrenheit).

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# INTERNATIONAL HERALD TRIBUNE

Published With The New York Times and The Washington Post

## Contra Aid Is Still Folly

Those thirsting for renewed confrontation between Washington and Managua have got their wish. The extremists on both sides are regaining the upper hand. And while it seems too late to hope that the Reagan administration would begin serious negotiations, it is far too early in the present turbulence to consider renewing military aid to the Nicaraguan rebels.

A desperate Nicaragua, faced with a collapsing economy and mounting internal discontent, has reverted to repression and clamorous anti-Americanism. Whether this followed deliberate U.S. provocation matters less than the result. The Sandinistas have done exactly what their hard-line foes wanted: jailed political opponents, tear-gassed demonstrators, suspended the opposition newspaper La Prensa, closed Radio Católica, confiscated the largest privately owned sugar plantation and ordered the expulsion of the U.S. ambassador and several aides. The result is to improve the chances of President Ronald Reagan's proposal for renewed lethal aid to the contras.

The consequences would be renewed war in Nicaragua, an angry election-year row in the United States that would impede a sensible, bipartisan Nicaraguan policy no matter who wins in November, and a severe setback to a once-promising regional peace plan.

Nonetheless, Congress has condemned Managua's "brutal suppression of human

rights," 91 to 4 in the Senate and 385 to 18 in the House. And the Senate seems to be moving toward approving new military aid for the contras. Plainly, a lot of Democrats and moderate Republicans are anxious about being labeled as soft on the Sandinistas. They could easily forget the futility of the administration's one-track policy of military pressure without a serious effort at talks.

If Congress wants to take a good round-house swing at the Sandinistas for reverting to dictatorial form, that's fine. It is important to remind them that Americans are not divided over democratic rights and wrongs. It is also important that Congress take a moment to investigate whether the U.S. ambassador to Nicaragua might have overstepped proper bounds and sided openly with the opposition. Seeking and hearing out the opposition is a valid diplomatic task, but serving as cheerleader constitutes reasonable grounds for expulsion.

Secretary of State George Shultz will swing through South America en route to a meeting Aug. 1 of Central American foreign ministers. He will get an earful of what Latinists think. Perhaps he will have the wisdom to dampen down the crisis. Meanwhile, Congress must remember that the only certain result of renewed military aid to the contras will be the end of the cease-fire that has essentially held since March.

—THE NEW YORK TIMES.

## Atlanta Should Enlighten

If the conflict that has been playing out between Michael Dukakis and Jesse Jackson had not taken place, the line from Atlanta surely would have been that the Democratic convention needed some excitement. But once the excitement got started, the terrific anxiety about how it would end was as good a demonstration as you could have of how much political conventions have been transformed. Candidates rarely fight it out for the nomination at conventions anymore: The fight is over by the time they get there. And it is considered, well, bad form for a candidate to keep resisting the near-certain fact and create some kind of squall — as Edward Kennedy did in 1980 and Gary Hart did in 1984. The point is to keep the special interest caucuses pacified and, in the hall, to make the thing a successful, upbeat televised production.

The convention does serve another important purpose: bringing together this far-flung constituency of party members and supporters and letting them spend some time getting to know more about the person they are about to nominate, or at least about his entourage and his way of doing things. This is a more pressing need for Democrats than Republicans because the Democrats in recent times have almost managed to contrive a zero-based presidential politics. They nominate a man now and get to know him later. This is true despite the intense "exposure" the contenders get during the grueling primary process; what is learned then is in fact sharply limited and subject to the distortions of a contest that puts a premium on virtues that do not all translate into governing skills.

It is true that there is continuity with the large political assembly meeting here. The

eternal and interchangeable campaign aides, people who over the years have switched loyalties and jobs among the Kennedy, Carter, Hart, Mondale, Biden and Dukakis campaigns, provide one kind of the presence of congressmen and senators who have spent years on Capitol Hill and, to the extent that there is such a thing, constitute the governing national Democratic Party, provides another. But the Democrats have a way of denying their own history and, temporarily at least, denying their own leaders.

In Atlanta there is not the same skittishness toward the last two presidential nominees as there has been in the past. But by and large it has been true since the assassination of John Kennedy that whoever runs for the office, whether he wins or loses, will be for a time afterward disavowed and disdained by the Democrats. Lyndon Johnson, Hubert Humphrey, George McGovern, Jimmy Carter, Walter Mondale — it happened to them all. Some get rehabilitated; some do not. Some are grossly marginalized in the tidal flood of abuse that ends them, especially in defeat.

With Michael Dukakis the party seems to be starting from scratch — yet again. People in Atlanta express curiosity about their candidate-to-be and engage in a trade of speculative theories about him as if he were Mikhail Gorbachev: What is he really like? What does he really want? Can he do the job? Far from regretting the challenge that Jesse Jackson has posed for him, they should be grateful for it: How Governor Dukakis and his troops deal with this difficult and delicate political problem may tell them more about their candidate than anything in the campaign has so far.

—THE WASHINGTON POST.

## Applause Comes Later

Signals of future inflation have been growing sharper over the past several months. The question was whether the Federal Reserve Board was prepared to tighten money and push up interest rates during the presidential election campaign. The board's chairman, Alan Greenspan, has now delivered the answer. Unlike the economic cheerleaders at the White House, he does not dismiss the threat of rising inflation. If the recent increases in interest rates do not prove sufficient to slow the economy, he said, the board is prepared to increase them further. The banks, listening carefully, responded Thursday by lifting their prime lending rates half a percentage point.

Mr. Greenspan's message will not be received with much joy by the Reagan administration, if he is right. Once inflation has begun to accelerate, as Americans learned in the early 1980s, the remedies are expensive and painful. No one wants to repeat the recessions of the early 1980s.

The inflation rate has been running around 4 percent a year for the past 18 months and does not seem to be rising — so far. But there are indications of trouble ahead. Worldwide commodity prices are generally up, despite the declining cost of oil. The industrial capacity utilization rate is higher than it has been in this decade. The unemployment rate is lower than it has

—THE WASHINGTON POST.

## Other Comment

### Reflection for South Africa

[Monday was a painful day for South Africa. Nelson Mandela marked his 70th birthday in jail, his spirit undiminished by 26 years in prison. In his time he has transcended his position as leader of the banned African National Congress to become a symbol, the world over, of resistance to apartheid. But both for the South African government and the ANC itself, the day should have been one of sober reflection. It highlighted the hollowness of Pretoria's promises of real

change, and the limitations of the country's leading anti-apartheid organization. No single act would do more to convince a skeptical world of President P. W. Botha's commitment to fundamental political change than the unconditional release of Mr. Mandela (and other political leaders). It is not in sight. His continued imprisonment not only undermines Mr. Botha's protestations of reform, but shows that the South African government clings to the belief that there is a viable alternative strategy.

—The Financial Times (London).

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International Herald Tribune, 181 Avenue Charles-de-Gaulle, 92200 Neuilly-sur-Seine, France. Tel.: (33) 46 37 93 00. Telex: Advertising, 61399; Circulation, 612832; Editorial, 612718; Production, 63009.

Editor for Asia: Michael Richardson, 5 Canterbury Rd., Shepperton TW12 7JG, Tel.: 081-776-7768. The RS56423. Managing Dir. Asia: Michael Cleary, 50 Gloucester Road, Hong Kong. Tel.: 5-861056. Telex: 61170. Managing Dir. U.K.: Robin MacEachan, 63 Long Acre, London WC2, Tel.: 836-8822. Telex: 262009. Gen. Mgr. N. Germany: W. Lauterbach, Friedensstrasse 15, 6000 Frankfurt/M. Tel.: (069) 726755. Telex: 416721. Pres. U.S.: Michael Cowan, 250 Third Ave., New York, N.Y. 10013. Tel.: (212) 752-3890. Telex: 427175. S.A. au capital de 1.200.000 F. RCS Nanterre B 73202/126. Commission Paritaire No. 61337. © 1983, International Herald Tribune. All rights reserved. ISSN: 0294-8057.

## For Zia, Victor Under Siege, Three Tough Choices Loom

By Hans Binnendijk

LONDON — President Mohammed Zia ul-Haq is a besieged victor. With Soviet troops now withdrawing from Afghanistan, the Pakistani leader faces three major problems — domestic elections, the Afghan transition and an Indian military build-up — that could determine Pakistan's future. He can play a trump card in each case, but doing so entails great risks.

The Soviet withdrawal represents a personal victory for General Zia and a national success for Pakistan. Pakistan braved attacks by Soviet aircraft and Afghan terrorists to serve as a conduit for Western weapons to the mujahidin. It also provided a home, employment and relative freedom of movement for more than three million refugees of the war. The impending victory has bolstered General Zia's spirit of invincibility and his belief that Islam has defeated a superpower.

But Mr. Hekmatyar has a reputation as a violent and unsavory character who is more interested now in defeating his mujahidin rivals than in pushing out the Soviets. By choosing sides, General Zia risks repeating the Soviet mistake of embroiling himself directly in Afghan politics. He also risks alienating Western supporters.

Pakistan's third major problem is with India: its dramatic military build-up, the continued border tensions near the Siachen glacier, and India's suspicion that Pakistan is aiding Sikh extremists.

General Zia recently played down the strategic importance of the glacier and belittled the idea that Pakistan could gain from Sikh extremism. But he is critical of India's regional aspirations in general and the increasing military imbalance in particular.

General Zia's trump card for responding to India's military dominance is the development of nuclear weapons, an equalizer that he believes can provide deterrence in South Asia just as it has in Europe. But others cite the analogy of the Iran-Iraq war, where the mere existence of chemical weapons has not deterred their use as it did in Europe during World War II.

So far, General Zia has kept this card close to his vest, enjoying the virtues of nuclear ambiguity. Legislation in the United States would end aid to Pakistan if it produced a nuclear weapon. But Pakistan is believed to be within a "turn of a screw" of producing nuclear devices, which

moderate member of the People's Party as prime minister, despite Mrs. Bhutto's position as party leader. But in doing so, he risks a possible vote of no confidence from the newly elected Parliament.

The stakes are also high for Pakistan as the seven mujahidin factions jockey for position before the coming battle for Kabul. Pre-war Afghanistan had better relations with India than with Pakistan because of a border dispute. General Zia hopes to influence the outcome of the Afghan power struggle and to reverse Pakistani-Afghan relations by playing a second trump card: support for the fundamentalist leader Gulbuddin Hekmatyar.

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Drawing by SELKAMM

in turn affects India's strategic calculations.

Pakistan may not be able to enjoy this ambiguity for long, especially if it continues to inch toward development of a nuclear weapon. Nonproliferation advocates in the United States have been restrained by Pakistan's crucial role in the Afghan war, but that restraint may soon be gone. The issue could come to a head in the U.S. Congress early next year if a new president decides to proceed with the sale of airborne early warning aircraft to Pakistan. Such a sale would be complicated by the desire of many in the United States to strengthen relations with India. U.S.-Pakistan relations could suffer.

General Zia faces difficult choices. He must seek to maintain domestic and regional security without abandoning democracy, entering a quagmire in Afghanistan, or alienating his Western allies. He will have to play his cards carefully.

The writer, director of studies at the International Institute for Strategic Studies in London, recently returned from a trip to Pakistan. He contributed this comment to the International Herald Tribune.

## Mexico: Up North, Some Fear a Prolonged Crisis

By Stephen S. Rosenfeld

and quite unpredictable partner, conceivably a much more difficult one or, worse, no real partner at all.

The optimistic view, which tends to dominate official U.S. pronouncements, is that the heretofore corrupt and authoritarian PRI is in the process of a bold and essential reform that will re-establish its popular legitimacy, equip it better to ease Mexico's tremendous economic and social strains and make the Mexican government again the reliable interlocutor of the United States needs.

The pessimistic view, found among nervous creditors but not only in those circles, is that Mexico may be tipping into prolonged and aggravated crisis that could give the United States the sort of neighbor it has been blessedly spared until now, one that: 1) is in permanent political turmoil tending to the left, the disorderly and the violent; 2) is in a position by its decisions on debt repayment to contribute to a serious economic problem in the United States; 3) has a defiant nationalistic political program giving it an incentive to do exactly that; and 4) shares

with Washington no notion of what their relationship ought to be.

The optimists can imagine a progression of protest, repression and near-insurrection and are extremely nervous about it, and the pessimists, or the more extreme among them, are on the verge of panic.

Some U.S. observers recall, with a

sense of nostalgia, that it used to be enough for the CIA station chief to meet with the Mexican president and assure him he spoke for the U.S. president. But the diffusion of authority in both capitals is far advanced. On both sides of the border, the conduct of relations has been dispersed among many hands, private (banks, investors) and public, and among many feet, too — those of immigrants who head north.

Mexicans and Americans collide

on many issues of practices or solutions.

That is natural and should be manageable, but the effort is

complicated by deeper complaints.

Mexicans see an alleged U.S. historical conspiracy, or bent, for

their destabilization. Americans worry about the competence, eco-

nomic and political, of the Mexican system — an anxiety whose expression by Americans darkens the vision even of the considerable number of Mexicans who fully share it.

In the name of promoting stability, the United States long held itself in silent complicity with the PRI's corrupt and undemocratic ways, but Mexico's economic and political unraveling has unlinked many Americans, who speak out about it. This pains Mexicans, whose acute nationalism is further wounded by the (necessary and necessarily intrusive) structural reforms that the Reagan administration has imposed.

The strategic objection to the Reagan administration's absorption with Central America has always been that it distracted the United States from a focus on Mexico, big, important and next door. The Mexicans now seem to have supplied their own corrective, forcing their country to the top of the agenda that will greet the new U.S. president in January.

The Washington Post

Such occasions do not signify affection. They do signify a new perception of common interests in reducing the mutual fears and distortions that endanger both countries and their arms race.

The idea of common interests is growing in the broader diplomatic field, too. If there is a chance now to end the terrible war in Angola and bring Namibia to independence, and there seems to be — it is because the United States and the USSR are both pushing for a settlement. One thinks about the possibility of such collaboration in addressing the Israeli-Palestinian conflict.

Even the beginnings of change in the superpower relationship pose great questions for American policy. How does America seize the chance to reduce armories, and the burden of military costs, while maintaining security and the allies' confidence?

How can it most effectively encourage the political process begin in the Soviet Union by Mr. Gorbachev?

There may be large domestic consequences, too. The Massachusetts economic miracle in which Governor Michael Dukakis rightly takes pride was based in part on high-technology defense work. If that declines, how can innovative civilian production be encouraged? America's economic future may depend on the answer.

A second example of new realities, even more profound, is the stress in the world's environment — or, more exactly, awareness of that stress.

Day after day this summer, Americans have had warnings of danger to the natural order that supports life. Miles of beaches near New York have been closed because of waves of sewage and hospital debris in the water. Forests in the United States, Canada and Europe have shown appalling signs of damage by acid rain.

"The environment is trying to say something," a scientist said after a huge fish kill off the New Jersey coast. Each incident tells us that nature can no longer handle the consequences of unthinking human behavior.

Beyond the individual instances of pollution there is the broad scientific agreement, in recent months, that the burning of fossil fuels is creating a "greenhouse effect" on Earth. Temperatures are going to climb to the point where there will be devastating damage unless we switch to other sources of energy.

The challenge in all this is to collective action. Individually, we are selfish. The Edison Electric Institute, a trade organization, says with ineffable blindness: "Current scientific evidence shows there is no acid rain crisis."

In other words, it is a political challenge. Over these last years the United States has luxuriated in the belief that private action can solve all problems if only government will get out of the way. But it will require government, of the highest order, to deal with realities of these dimensions.

## Private Effort Cannot Solve Such Matters

By Anthony Lewis

NEW YORK — In the convention season of politics, Americans are preoccupied with tactics. Elections have to be won. But sometimes, that's not enough. People are beginning to understand that new realities in the world challenge some of their most familiar ways of thinking, their premises. A time of fundamental change will confront the next president, whoever that is.





## ARTS / LEISURE

## A Magic Wand Of a Fellowship

By Nan Robertson  
*New York Times Service*

**Y**OU cannot apply for it. If you get it, you can do whatever you want with it. You will never know exactly why you were chosen.

The composer Charles Wuorinen, who was tapped two years ago, called the MacArthur Fellowship prize "the most civilized award ever invented." It has been compared to the princely patronage that great Renaissance families such as the Medicis bestowed on artistic talent.

But there is a huge difference: the MacArthur's generosity with no strings attached. No control is exercised, no proposal or final report required. A MacArthur Fellow now receives from \$15,000 to \$375,000 spread over five years, the amount rising with the recipient's age.

On Tuesday, the board of the John D. and Catherine T. MacArthur Foundation in Chicago is due to announce the 1988 winners. Of the 223 MacArthur Fellows named since the award began in 1981, only 19 have been performing or visual artists. Twenty-three are poets or writers of fiction; the others are mostly scholars or scientists.

These creative artists — composers, filmmakers, choreographers, artists, actors and directors — were asked whether the fellowships had made a difference in their lives and in their work. The answer was: yes and no.

For all of those interviewed, \$30,000 to \$75,000 yearly has meant freedom to do the work that is the central love and driving force of their lives. The MacArthur has liberated them from financial anxiety and from distracting or secondary activities that took them away from pure creativity.

"Lots of us call ourselves 'summer composers,'" said the Chicago-based Expressionist Romantic, Ralph Shapey, "because we're busy teaching the rest of the year."

Some like the "new vaudevillian" Bill Irwin, who consider television work an artistic detour, can devote themselves to the stage.

Others, including John Sayles

and Frederick Wiseman, have been freed from incessant fund-raising for their film projects.

The reclusive composer Coulon Nancarrow, who toiled at his complex music for player pianos in Mexico during decades of obscurity, spoke for many when he said simply, "For the first time in my life I didn't have to worry about money."

Only Peter Sellars said the windfall had changed the nature of his work. The opera and theater director was only 25 years old when he was singled out in 1983. That same year, he took over the Boston Shakespeare Company, which was about to go bankrupt, was able to "pull it back from the brink" and put on such productions as "Mother Courage," with the then-little-known actress, Linda Hunt, in the Brecht play.

Even more pivotal, he said, was the grant's direct effect on his work. "Had I been older, it might not have been so crucial, but I was just beginning to establish my ways of working," Sellars said. "For a young artist, the most important thing is somebody saying to you, 'We're watching you — go ahead.'

He was able to finance "Brother" himself instead of scratching around for funds, and no longer was forced to write scripts for other people's movies. In one non-MacArthur year, he churned out five mass-appeal screenplays, in-



Peter Krasnow (Editor), Bob Mankoff (Vision/Sayles), Jonathan Atkin (Sellars)

jobs that are important and interesting to do."

John Sayles, who wrote and directed the fiercely individualistic movies "Return of the Secaucus Seven," "Baby, It's You," "The Brother From Another Planet" and "Matewan," was more typical.

"The work I do is like walking on a tightrope," he said. "With the MacArthur, it's a tightrope with a safety net under you."

He was able to finance "Brother" himself instead of scratching around for funds, and no longer was forced to write scripts for other people's movies. In one non-MacArthur year, he churned out five mass-appeal screenplays, in-

cluding adaptations of Jean Auel's "Clan of the Cave Bear" and "Valley of the Horses."

Now his time is running out; this is the last year. Sayles is feeling nostalgic already.

Frederick Wiseman said unequivocally, "It saved my professional life." The filmmaker illuminates some dark corners of American society with his documentaries, such as the recent "Dead and Blind." The MacArthur money enabled him to "prime the money pump" by shooting movies first and showing dramatic rushes to potential backers.

"I used to spend three-quarters

of my time running around with my hat in my hand before a movie was ever shot," he said. "The fellowship made it fantastically easier."

"It's impossible to know what life would have been like without the MacArthur Award," said Bill Irwin, who is a clown, acrobat, mime, illusionist, actor and the only active stage performer so far to win the MacArthur. He was 34 when the magic wand touched him four years ago.

"I do know I could not have put on the last piece I did — 'Largely/New York' at the City Center — without it," he said. "It was a big group piece, with 20 people on stage. I can also pay my rent without needing to work for television."

Almost everyone questioned seemed more like a bohemian when the MacArthur money began to come in. There were exceptions.

Ellen Stewart was the most daring of all. "I took the money and bought an old run in Italy," said Stewart. "People said I was cuckoo — nuts. Stone-crazy. But it was the dream of a lifetime." The founder and artistic director of the La Mama experimental theater in Manhattan's East Village plunked down \$70,000 to buy a 16th-century convent in the hills near Spoleto. She wants to turn it into a residential and work center for 25 artists from all over the world.

The most ardent advocates of the Mitteleuropa idea live under Soviet dominance or have escaped from it into other lands. This, if anything, has made them even more ardent Mitteleuropers, like the Czechoslovak novelist Milan Kundera in his Parisian exile.

It is not accidental that public discussion of what is Mitteleuropa flourishes in West Germany, Austria and Italy but not in the heartlands of Czechoslovakia, Poland, Hungary or, perish the notion, in those fringes of the old Hapsburg empire that fell to the Soviet Union in 1945.

Most proponents of the Mitteleuropa idea in Communist countries are counted among the dissenters. "A Mitteleuropier is one whose the partition of our continent injures, touches, hampers, disquiets and confuses," wrote George Konrad, the Hungarian novelist and essayist, whose works are highly regarded by many Hungarians but have not been published in his country for more than a decade.

Konrad, who is spending an academic year teaching literature at Colorado College, was injured, touched, hampered and disquieted but escaped confinement during a holiday in Budapest in June. He was among those who attended a meeting in memory of the hanging of Imre Nagy, the prime minister of the 1956 revolutionary government that was broken up by police wielding rubber truncheons.

So political is the cultural debate that it implies that Hungary may belong to a regional grouping more in harmony with its culture and traditions than the Warsaw Pact and the Soviet-led economic alliance, that in Vienna promoters of a project of a joint Vienna-Budapest World's Fair in 1995 link it enthusiastically to the fashionable focus on Mitteleuropa, but the Budapest organizers avoid placing it in that context.

The governments in the Soviet camp dislike the idea and occasionally denounce it in the press as a Western political plot to sap their strength.

This means primarily nations that the postwar division of the spoils between the great powers has left most of the nations of the region to a power that they consider only partly European and not at all Central European.

The discussion is so intense that when Konrad raised the issue at a writers' conference last May in Lisbon, he provoked tears and anger

from Soviet participants, and Joseph Brodsky, the Nobel Prize-winning Russian poet in American exile, rallied to their defense, asserting that Soviet citizens did not know of a distinctive Central European culture.

Possibly the greatest tribute to the interest in the theme was seen in the surprising fact that France, usually suspected of cultural chauvinism and exclusive attention to its foreign cultural activities to the beauty and extension to the rest of the world of the French language, sponsored a three-day symposium on Mitteleuropa at Vienna University earlier this year.

The sessions proved one thing: Mitteleuropa defies spatial and temporal limitation and is subject to as many definitions as there are definers.

One of the points on which there was no dissent was the towering contribution of Jews, and, in their present absence, the impossibility of reconstituting the Mitteleuropa that was.

But what today's Mitteleuropa might be was left undefined. Stefan Kaszynski, a Polish participant, called it an ideology. "Because it exists solely as a state of mind, as a verbal reality," he explained. "But these, not real existences, have a much longer life than real realities."

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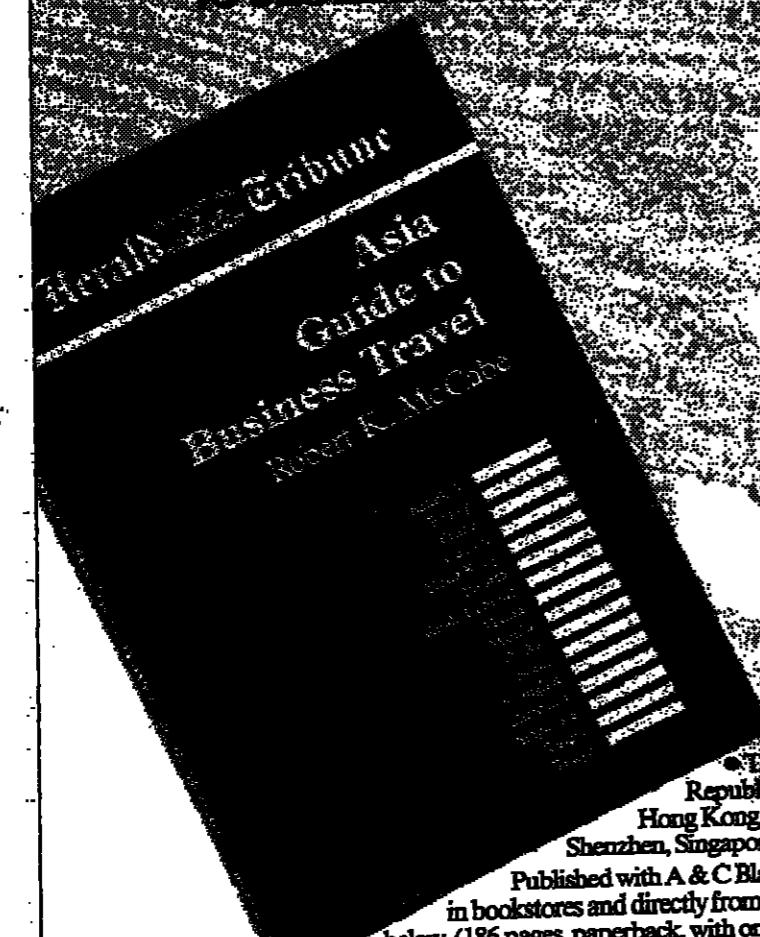
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Jean Vial	\$10,191,804.60
Carrie and Derek Stockley	\$7,789,787.60
Doug and Loraine Clark	\$7,059,893.70

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When Lillian and Stewart Kelly, pictured above, won Canada's record Lotto jackpot of \$13,890,588.80 there were over 1 million winners in total, with over \$27,000,000.00 in prize money awarded. The prize breakdown shown here indicates the actual winnings for that draw.

PRIZES	NO. OF DRAWERS	PRIZE VALUE
1ST PRIZE	1	\$13,890,588.80
2ND PRIZE	10	\$443,481.60
3RD PRIZE	716	\$3,704.70
4TH PRIZE	4,016	\$128.30
5TH PRIZE	965,112	\$10.00
TOTAL PRIZES</		

## NYSE Most Actives

	Vol.	High	Low	Last	Chg.
PepsiCo	15,121	34	33	34	+ 1/2
CentEx	15,121	15	15	15	- 1/2
Intel	11,725	212	212	212	- 1/2
US West	11,725	12	12	12	- 1/2
GTE	11,725	40	40	40	- 1/2
AT&T	11,725	12	12	12	- 1/2
Textron	12,609	44	44	44	+ 1/2
Polaroid	12,217	34	34	34	+ 1/2
Philips	11,725	45	45	45	+ 1/2
Contel	11,725	12	12	12	- 1/2
GenCorp	11,725	12	12	12	- 1/2
BondCo	11,725	12	12	12	- 1/2
Dow Jones Bond Averages	11,725	12	12	12	- 1/2
Bonds	11,725	12	12	12	- 1/2
Utilities	11,725	12	12	12	- 1/2
Industries	11,725	12	12	12	- 1/2

## Market Sales

	NYSE 4 p.m. volume	NYSE 4 p.m. value	Amex 4 p.m. volume	Amex 4 p.m. value
July 15	15,210,000	\$1,120,000	1,240,000	\$10,000
July 16	15,210,000	\$1,120,000	1,240,000	\$10,000
July 17	15,210,000	\$1,120,000	1,240,000	\$10,000
July 18	15,210,000	\$1,120,000	1,240,000	\$10,000
July 19	15,210,000	\$1,120,000	1,240,000	\$10,000
July 20	15,210,000	\$1,120,000	1,240,000	\$10,000
July 21	15,210,000	\$1,120,000	1,240,000	\$10,000
July 22	15,210,000	\$1,120,000	1,240,000	\$10,000
July 23	15,210,000	\$1,120,000	1,240,000	\$10,000
July 24	15,210,000	\$1,120,000	1,240,000	\$10,000
July 25	15,210,000	\$1,120,000	1,240,000	\$10,000
July 26	15,210,000	\$1,120,000	1,240,000	\$10,000
July 27	15,210,000	\$1,120,000	1,240,000	\$10,000
July 28	15,210,000	\$1,120,000	1,240,000	\$10,000
July 29	15,210,000	\$1,120,000	1,240,000	\$10,000
July 30	15,210,000	\$1,120,000	1,240,000	\$10,000
July 31	15,210,000	\$1,120,000	1,240,000	\$10,000
Aug. 1	15,210,000	\$1,120,000	1,240,000	\$10,000
Aug. 2	15,210,000	\$1,120,000	1,240,000	\$10,000
Aug. 3	15,210,000	\$1,120,000	1,240,000	\$10,000
Aug. 4	15,210,000	\$1,120,000	1,240,000	\$10,000
Aug. 5	15,210,000	\$1,120,000	1,240,000	\$10,000
Aug. 6	15,210,000	\$1,120,000	1,240,000	\$10,000
Aug. 7	15,210,000	\$1,120,000	1,240,000	\$10,000
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Oct. 13	15,210,000	\$1,120,000	1,240,000	\$10,000
Oct. 14	15,210,000			



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TUESDAY, JULY 19, 1988

### WALL STREET WATCH

## Some Thrift Stocks Offer Good Value, Crisis or Not

By PHILLIP H. WIGGINS

New York Times Service

**N**EW YORK.—In spite of the recent failures among savings and loan institutions and the consequent shunning of the industry by many investors, several select thrift industry stocks continue to offer good value, according to some industry experts.

"Investors have not separated the wheat from the chaff among units and, as a result, some higher-quality issues are sharply undervalued," said Jerome Baron, senior thrift industry analyst at Prudential-Bache Securities. A number of quality savings institutions, he said, have declared or increased dividend payments to attract investors.

Many of these companies, most of them traded over the counter, offer a strong return on assets, or ROA, and return on equity, or ROE. A return of 0.75 to 0.80 percent on assets is the generally accepted benchmark for a solid performance by a savings institution, while a return on equity of 10 to 13 percent is considered healthy. Most of the following institutions fall within these ranges.

In Chicago, the \$3.1 billion St. Paul Bancorp increased its annual dividend by 50 percent in April to 30 cents a share. John Cornwell, an analyst at Milwaukee-based Bunt, Ellin & Loewi, is estimating this year's St. Paul earnings at \$1.95 a share, up from \$1.70 a share in 1987. The stock closed Friday at \$10.625 a share.

Standard Federal Bank of Troy, Michigan, has about \$9 billion in assets. This thrift institution's annual dividend rate of 40 cents a share provides a yield of about 5 percent.

According to Diane Mervin, an analyst at Salomon Brothers, Standard Federal should earn \$2.05 a share in 1988, down from last year's \$2.27 a share, which included 37 cents a share from a tax-loss carry-forward.

Without that item, 1987 earnings would have been \$1.90 a share. The stock closed Friday at \$8.875 a share in trading on the New York Stock Exchange.

**T**WO OTHER markets favored by professional investors are the West Coast and Florida. Among the higher-quality and more undervalued thrift industry stocks in these regions are San Francisco Federal Savings & Loan Association and BankAtlantic Financial Corp. in Coral Cables, Florida.

The Florida stock closed Friday at \$12.875 a share, and the Florida stock closed at \$4.875 a share.

Among portfolio managers who share analysts' optimism about selected savings institutions is Binkley Shorts, manager of the \$300 million Over-the-Counter Securities Fund. He has about 12 percent of the fund's assets invested in savings and loan associations.

"We look for companies that are solidly financed, have a strong local presence and little or no exposure to interest rate swings," he said.

Two companies he likes are Washington Federal Savings & Loan in Seattle and Roosevelt Federal in Chesterfield, Missouri. Friday's closing figures were: Washington, \$26.625 a share, and Roosevelt, \$9.875 a share.

In the New York area, analysts are recommending a number of dividend-paying thrift institutions, including Rochester Community Savings Bank of Rochester, Dime Savings of Wallingford, Connecticut, and Prospect Park Financial Corp. in West Patterson, New Jersey.

Rochester Community Savings, holding a dominant share of deposits and mortgage originations in Rochester, has about \$3 billion in assets. In March it announced a 50 percent increase in its quarterly cash dividend. On an annual basis, the dividends now total 36 cents a share.

James Carter, an analyst at Merrill Lynch, estimates that Rochester Community will earn \$1.45 to \$1.65 a share in the

See SAVE, Page 11

'Some higher-quality issues are sharply undervalued,' one analyst said.

## Greyhound Climbs an Uphill Road to Revival

### Bus Line Hopes To Alter Travel Habits in U.S.

By Robert E. Dallos

*Los Angeles Times Service*

DALLAS.—When People Express Airlines died, Fred G. Currey was not among the mourners. In fact, the demise of the no-frills, discount airline in late 1986 was good news for the Dallas entrepreneur. He had just announced that, together with a group of other businessmen, he was going to buy virtually all of Greyhound Corp.'s unprofitable bus operations.

When it made its \$70 million investment, Mr. Currey's group, called GLI Holding Co., had high hopes of luring passengers back to riding buses, which had once been the traditional low-cost, no-frills way to travel long distances in the United States. In the late 1970s and early 1980s, travelers had abandoned buses in droves for the lower prices of the deregulated airlines — often led by People Express.

Now, the Currey investors, slowly but surely, seem to be bringing people back to the bus.

There is still a long way to go. Many of Greyhound Lines' terminals are in bad shape. Greyhound lacks an adequate national computer system, its relations with its unionized employees still leave something to be desired, and it is losing some of its share of the competitive small-package delivery business.

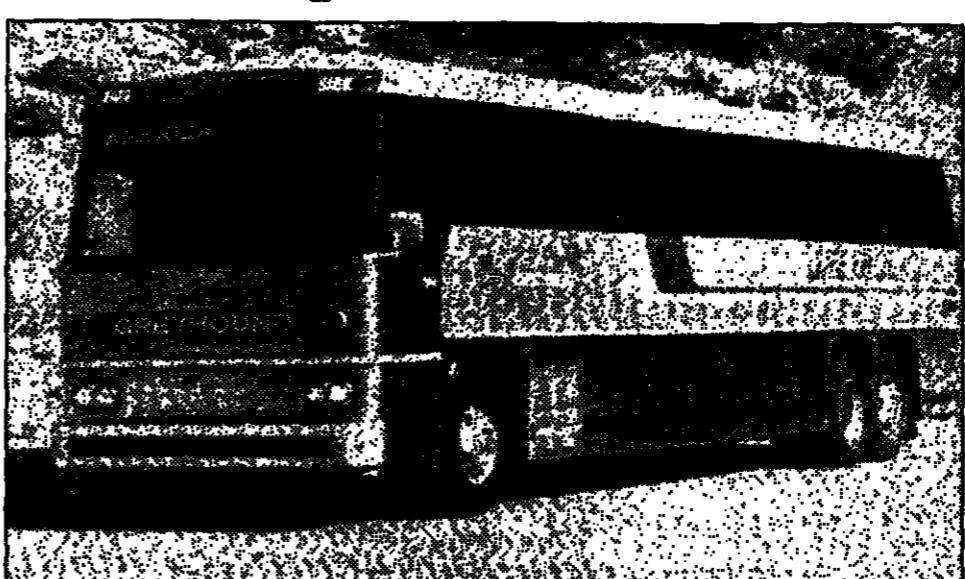
"There is no doubt that the demise of People Express was a positive factor for us," Mr. Currey, the chairman of Greyhound Lines, said in a recent interview. Even before the airline was sold and absorbed by Continental Airlines, Mr. Currey said, when People Express "went out of markets and raised fares in other markets, it made operating buses relatively more competitive in those markets."

The company, whose racing greyhound symbol is one of the best-known trademarks in the United States, wasted little time trying to lure people back to buses. The new owners went to work within hours after acquiring the line.

"First, we lowered prices substantially," Mr. Currey recalled. Prices were cut about 10 percent overall and as much as 40 percent and 50 percent in many markets.

"Then we went to work immediately, simply saying, 'We're back in business,'" Mr. Currey added. "People had lost confidence in the bus as a primary means of transportation."

Besides sounding the horn and



Greyhound is seeking to regain its status as the traditional, no-frills way to travel in America.

cutting fares, Greyhound began improving its facilities. At least \$65 million was spent in the first 12 months on new equipment. The fleet was expanded for the first time in seven years with the purchase of 325 buses, and an additional \$6 million was spent to refurbish and upgrade older vehicles.

Long-neglected bus terminals are being cleaned up, and some have been moved out of the worst parts of cities so travelers will feel safer getting to the buses. In 1987, \$25 million was spent on terminals and a like amount will be

"We know that passengers require a very simplistic, sometimes difficult to deliver, formula," Mr. Currey said. "They want a clean and safe terminal, a clean and safe ride and a destination reached on time. And they are interested in price."

He said ridership had been declining for years while the bus company was owned by Greyhound Corp. of Phoenix, Arizona. The conglomerate had lost interest in its bus business, he said, and was trying to shrink it, selling 2,840 of its 5,500 vehicles, among other assets.

revenue passenger miles, or the number of miles ridden by paying passengers. In 1979, Greyhound's number of paying passenger miles, restated to include the bus system of Trailways Lines of Dallas, which GLI bought last year for \$80 million, totaled 11 billion miles (17.7 billion kilometers).

But the intervention activity pushed the dollar below its Friday closes against the Deutsche mark and yen after it had climbed to an 11-month high against the West German currency and an eight-month high against the Japanese yen in earlier trading.

"I don't think the Reagan administration wants to see the dollar get too strong — that would be counterproductive to the trade figures," he said. "But they don't want it to go down. The net effect of a weaker dollar would be worse, in their mind, than a stronger dollar, in terms of the uncertainty it would create on our equity market and bond markets."

A surge in the dollar's value against the mark and yen on Friday

was so on news that the Fed was

intervened, was meant more to tem-

per the dollar's rise than to put an

absolute brake on it," said Bill

Doyle, an economist with Fujitsu

Corp. Ltd. in New York.

Fundamentally, he said, the Rea-

gan Reserve Board do not seem willing

to undermine the dollar's recent

tightening by the chief U.S. trading

partners.

The round of intervention on

Monday was described by traders

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closes against the Deutsche

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an 11-month high against the West

German currency and an eight-

month high against the Japanese

yen in earlier trading.

A half-point increase in British

banks' key base lending rates at

midday Monday and expectations

of a slight increase Tuesday in a

West Germany money-market inter-

est rate had no effect on the dollar, traders and economists said.

The dollar rose to 1.8820 DM in

London from its close of 1.8755.

The U.S. currency edged lower

against the yen, falling to 134.80

from 135.25 on Friday. But the

dollar rose to 1.5630 Swiss francs

from 1.5560 and to 6.3375 French

francs from 6.3075.

The pound rose to \$1.6695 from

\$1.6630.

In later trading in New York, the

dollar closed lower against the major

currencies. It fell to 1.8735 DM

from 1.8805 on Friday, and to

134.45 yen from 135.35.

The dollar also fell to 1.5545 from

1.5545 Swiss francs, down from 1.5575 on Friday, and it dropped to 6.3200 French francs from 6.3465.

The pound rose to \$1.6755 from

\$1.6615.

In addition to the U.S. Federal

Reserve System, participants in the

concerted open-market moves

against the dollar included the

Bank of England, the Belgian Na-

tional Bank, the Swiss National

Bank and the Bank of Italy.

The Fed was believed to have

sold a modest amount of dollars for

marks on three separate occasions,

but the Bundesbank, which has

been selling dollars repeatedly on a

large scale since early June, came in

with substantial volumes of dollar

reserves, sources said.

"This intervention, which

brought the dollar back a pfenning

## Central Banks Intervene to Slow Dollar Rise

By Warren Getler

*International Herald Tribune*

LONDON — Coordinated U.S. and European central bank intervention dented the dollar's rise Monday, but economists said the currency was positioned to climb further against the Deutsche mark and the yen in the absence of more flexible dollar sales or monetary tightening by the chief U.S. trading partners.

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as limited, with the noted absence

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of Japan's central bank, which instead

raised short-term interest

rates to support the yen.

But the intervention activity

**Dutch Firm Bids**

The Dutch firm of Wereldhave N.V. has agreed to buy the British company of C.P. Properties Ltd. for £100 million (\$160 million). The deal is expected to close in the fourth quarter of 1988.

**Peaches**

The U.S. fruit grower and management have agreed to sell its 100 percent interest in the U.S. peach-growing business to Wereldhave N.V. for \$160 million. The deal is expected to close in the fourth quarter of 1988.

**Redevelopment**

The developer of the British city of Belfast has agreed to sell its 100 percent interest in the Belfast City Council's property development program to a consortium of British and Irish investors for £100 million (\$160 million).

**Redevelopment**

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**Australian Firm Buys**

The Australian firm of Metcash has agreed to buy the British supermarket chain of Morrisons for £100 million (\$160 million). The deal is expected to close in the fourth quarter of 1988.

# Mondays NYSE Closing

Tables include the nonfarmwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

12 Month Stock Div. Yld. PE Ss. High Low Close Chg. %

(Continued)

13	Perch	1.67	50	50	50	50	50	+ 1/2
14	Purdy	1.4	132	132	132	132	132	+ 1/2
15	Porter	16	2.14	20	20	20	20	+ 1/2
16	Portkin	24	2.25	24	24	24	24	+ 1/2
17	Portkin	22	12	12	12	12	12	+ 1/2
18	Portkin	22	12	12	12	12	12	+ 1/2
19	Portkin	22	12	12	12	12	12	+ 1/2
20	Portkin	22	12	12	12	12	12	+ 1/2
21	Portkin	22	12	12	12	12	12	+ 1/2
22	Portkin	22	12	12	12	12	12	+ 1/2
23	Portkin	22	12	12	12	12	12	+ 1/2
24	Portkin	22	12	12	12	12	12	+ 1/2
25	Portkin	22	12	12	12	12	12	+ 1/2
26	Portkin	22	12	12	12	12	12	+ 1/2
27	Portkin	22	12	12	12	12	12	+ 1/2
28	Portkin	22	12	12	12	12	12	+ 1/2
29	Portkin	22	12	12	12	12	12	+ 1/2
30	Portkin	22	12	12	12	12	12	+ 1/2
31	Portkin	22	12	12	12	12	12	+ 1/2
32	Portkin	22	12	12	12	12	12	+ 1/2
33	Portkin	22	12	12	12	12	12	+ 1/2
34	Portkin	22	12	12	12	12	12	+ 1/2
35	Portkin	22	12	12	12	12	12	+ 1/2
36	Portkin	22	12	12	12	12	12	+ 1/2
37	Portkin	22	12	12	12	12	12	+ 1/2
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41	Portkin	22	12	12	12	12	12	+ 1/2
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90	Portkin	22	12	12	12	12	12	+ 1/2
91	Portkin	22	12	12	12	12	12	+ 1/2
92	Portkin	22	12	12	12	12	12	+ 1/2
93	Portkin	22	12	12	12	12	12	+ 1/2
94	Portkin	22	12	12	12	12	12	+ 1/2
95	Portkin	22	12	12	12	12	12	+ 1/2
96	Portkin	22	12	12	12	12	12	+ 1/2
97	Portkin	22	12	12	12	12	12	+ 1/2
98	Portkin	22	12	12	12	12	12	+ 1/2
99	Portkin	22	12	12	12	12	12	+ 1/2
100	Portkin	22	12	12	12	12	12	+ 1/2
101	Portkin	22	12	12	12	12	12	+ 1/2
102	Portkin	22	12	12	12	12	12	+ 1/2
103	Portkin	22	12	12	12	12	12	+ 1/2
104	Portkin	22	12	12	12	12	12	+ 1/2
105	Portkin	22	12	12	12	12	12	+ 1/2
106	Portkin	22	12	12	12	12	12	+ 1/2
107	Portkin	22	12	12	12	12	12	+ 1/2
108	Portkin	22	12	12	12	12	12	+ 1/2
109	Portkin	22	12	12	12	12	12	+ 1/2
110	Portkin	22	12	12	12	12	12	+ 1/2
111	Portkin	22	12	12	12	12	12	+ 1/2
112	Portkin	22	12	12				

## BUSINESS ROUNDUP

## Dutch Firm Bids for U.K.'s Peachey Robins Plan Is Approved By 2 Groups

Compiled by Our Staff From Dispatches

LONDON — The Dutch real estate group Wereldhave NV launched on Monday a hostile takeover bid for the British developer Peachey Property Corp., valuing the company at £265 million (\$404 million).

Wereldhave, which already holds 10.4 percent of Peachey, is offering 612 pence in cash for each additional share.

Peachey said management had been approached by Wereldhave last week but had decided not to recommend the offer. The two companies had begun negotiations to see whether an agreement could be reached.

Wereldhave said Monday that it had decided no such agreement was likely and so it went ahead with an offer.

Peachey shares rose 12 pence to

close at 620 pence each on the London Stock Exchange.

After the bid was announced, Peachey said it fell far short of a figure its board could recommend. Wereldhave said its offer was 27.4 times Peachey's historic earnings per share. Peachey had pre-tax profits of £1.9 million and net rents of £2.1 million for the half-year to Dec. 25, and earnings per share of 13.9 pence, Wereldhave said.

Peachey's pre-tax profit was \$1.7 million in the fiscal year ended June 30, 1987, against \$10.2 million the previous year. Net rents totalled £13 million for the year.

The developer's net assets were £182.2 million, or 421 pence a share, adjusted for a fiscal issue in September 1987, Wereldhave said.

At year-end, its property portfolio, entirely in Britain, was 53 percent in retail, 37 percent in offices, 9 percent in industrial and 1 percent in residential property.

(APP, Reuters)

## Australian Firm Has Swazi Chrome Project

Reuters

SYDNEY — Australian Overseas Mining Ltd. said Monday that it would lead an international consortium considering the development of a large ferrochromium plant in the southern African nation of Swaziland.

The Swazi government has granted approval for a plant with an initial annual capacity of 20,000 metric tons of ferrochromium, Australian Overseas said.

Ferrochromium is added to iron and nickel to produce alloys that are resistant to corrosion and rust.

Australian Overseas, as project manager, will immediately begin a

final feasibility study, expected to take three months. Approval is expected before the end of this year, which would lead to production starting by late 1990, it said.

Australian Overseas said the project contains more than 50 million metric tons of chrome ore and is close to large reserves of coal — currently in production but below capacity — and to modern rail facilities.

The company statement did not specify where the chrome ore is in Swaziland or is not a major producer of chrome, but South Africa, which it borders, is a leading supplier.

Australian Overseas said favorable investment incentives were available in Swaziland. As a developing nation and a member of the Convention of Lomé, its exports to the European Community are given preferential status, Australian Overseas noted.

The company statement did not say whether the chrome ore is in Swaziland or is not a major producer of chrome, but South Africa, which it borders, is a leading supplier.

GREYHOUND: New Owners Put U.S. Bus Lines on Road to Revival

(Continued from first finance page) telephone instead of making a trip."

To induce the people of small-town America to travel, Greyhound is trying something novel, a service called the "rural connection." It is an effort to restore bus service to many of the smaller communities that have lost it in the past dozen years.

Because there is usually not enough passenger traffic to warrant the use of full-size buses, which cost \$200,000 each, smaller passenger vans bearing the Greyhound symbol are covering the routes.

In much the same way that airlines have instituted hub-and-spoke systems and use smaller, independent airlines as feeders, the new passenger van lines will connect with Greyhound's national network at its larger terminals.

One example of such a venture is a new line that provides twice-a-day van service along a 75-mile circular route around Sandusky, Ohio. The line serves five communities around Sandusky and connects with nine Greyhound bus depots from that city, thus linking travelers with the 12,000 communities on the Greyhound-Trailways network.

Mr. Currey said Greyhound's plan to reconnect rural and urban areas would require no Greyhound investment. The feeder lines all will be operated by independent entrepreneurs, with Greyhound helping them to obtain favorable interest rates to start up and lower insurance rates.

The Sandusky service, for example, is operated by a small company called Arrow Express. Arrow has one modified van, which has seating for 12, a compartment

for packages and a two-way radio. "We are going to revolutionize ground transportation all over America," Mr. Currey said, "by bringing bus service back to communities which had lost it. There is no need for big buses to go into those small communities."

The financial arrangements in the feeder-bus deals are similar to those used by airlines and their regional partners. The small company, for example, receives a share of the total ticket cost and also acts as an agent for Greyhound, receiving a commission of 10 percent to 15 percent for each long-haul ticket sold.

Greyhound Lines' relations with its unions have improved considerably since the Currey investors bought the operation, although salaries were cut radically. "Many of our people took sub-

stantial pay cuts," Mr. Currey said. "Our business objective is to pay market wages wherever we operate; we want to keep our people in the mainstream of American compensation. If we go above that, we would have to raise fares."

Both Greyhound and Trailways were paying salaries that were not economic. In setting salaries we have to balance the interests of our employees, our capital providers and our customers."

Union officials maintain, however, that the bus company now pays well below standard wages.

But Frank Souza, an official of the International Association of Machinists & Aerospace Workers' District 190, which represents Greyhound mechanics in the Western states, said relations with the company are good.

## VIEWPOINT

The Commerzbank report on German business and finance No. 6/88

### West German chemical industry: strong international presence

The chemical industry has long been one of the main engines of economic growth in West Germany. Although recent years have seen only a modest expansion of economic activity, the sector has managed to hold its own; indeed, it turned in a better performance than manufacturing industry as a whole in 1987, and will probably outstrip it again this year—which is a clear indication of the sector's efficiency.

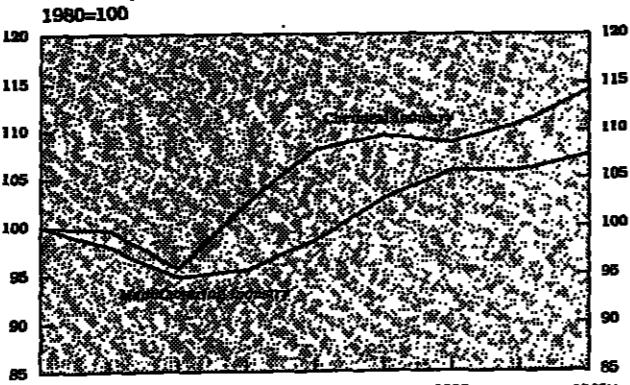
With an export ratio of over 50%, the West German chemical industry is one of the country's most export-intensive sectors; in fact, virtually one job in two depends on foreign orders. In 1987, deliveries abroad were worth DM 70 billion, thanks not least to the industry's broad array of products and its highly developed know-how in the fields of production and process engineering. Two-thirds of West German chemical exports go to Western Europe, a further 10% to the U.S. dollar zone, and just over 3% to Japan.

Despite its strong export orientation, the chemical industry has been able to cope more effectively than other sectors with the adverse effects of the U.S. dollar's slide, primarily because of reduced production costs. Naturally, the weaker dollar has made exporting more difficult; German firms are now up against tougher competition in world markets—above all, from their U.S. rivals. Yet the lower dollar and

cheaper oil have brought down the prices of the sector's petroleum-based production inputs. At the same time, the prices for other raw materials and feedstocks bought on world markets and paid for in dollars have also declined. In 1986 alone, for example, West Germany's three leading

funds committed to research and development. Indeed, with a 10% share of gross value added, the sector accounts for a full 12% of all industrial investment in West Germany. In 1987, its gross investments in fixed assets in West Germany totalled DM 8.5 billion, an increase

#### Development of output 1980-100



chemical concerns saved an estimated DM 5 billion in this way. These cost reductions enabled the sector to hold its export prices at competitive levels despite the appreciation of the D-mark. As producer prices fell by 8% between 1985—when the dollar was at its peak—and the start of 1988, lower costs have helped the sector to maintain its good earnings performance—and here it has fared better than other export-intensive sectors.

The resilience of the chemical industry is bound up with its high level of capital spending and the extensive

of 5% over the previous year, and in 1988 they will reach a record DM 9 billion. Complementing these expenditures at home are the industry's investment outlays abroad, which were equivalent to roughly DM 4.5 billion in 1987. Moreover, R&D spending amounted to DM 9 billion in 1987—or 5.3% of the industry's overall sales, as against

### COMMERZBANK

German knowhow in global finance

VIEWPOINT is presented as a regular service to the international business and financial community by the Economics Department of Commerzbank, P.O. Box 100505, D-6000 Frankfurt/Main.

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## U.S. Bank Board Shuts Bankrupt Thrift Unit in California

Reuters

WASHINGTON — The Federal Home Loan Bank Board said Monday that it had closed the bankrupt Farmers Savings of Davis, California, and was prepared to make direct payments of \$324 million to depositors with federally insured accounts.

The bank board said in a statement that Farmers Savings was among the top 10 U.S. thrifts paying high interest rates and was keeping the cost of money for healthy institutions at unnecessary elevated levels.

Farmers was a prime example of a bankrupt thrift offering exorbitant rates that in turn forced the healthy industry to raise their own rates," Roger F. Martin, one of three bank board members, said.

The savings and loan association was closed shortly after it opened for business on Monday and the Federal Savings and Loan Insurance Corp. could begin disbursing payments to depositors on Tuesday, the agency said.

Farmers had assets of \$181.5

million on May 31, but its liabilities totaled \$334.7 million, leaving negative capital of \$133.2 million, the bank board said.

Originally a state stock association, Farmers was placed into receivership in October 1985 as a result of unsafe and unsound business practices, the bank board said. It was placed in a special management program and converted into a federal mutual association.

The bank board has resolved 44 cases of insolvent thrifts so far this

year, including 15 in which insurance settlements occurred.

The action on Monday followed a record \$1.35 billion closing of two thrifts in California last month. At the time the bank board closed

the Southwest states, which have the largest concentration of failing

thrifts.

Troubled institutions often pay high rates of interest to attract deposits, which tends to push up the returns other thrifts in their regions must offer.

Earlier this month, the bank board estimated that the cost of rescuing troubled thrifts nationwide would be \$42.5 billion through 1994.

The first round of actions was in

## SAVE: Some Thrifts Offer Good Value, Crisis or Not

(Continued from first finance page) and Loan Insurance Corp., which some experts say could be a drag on future earnings in the thrift industry.

Dime has paid a dividend every quarter since it went public in July 1986, and the annual dividend rate of 80 cents a share represents a yield of 5.8 percent.

According to Samuel J. Beebe of the Williams Securities Group Inc. in Tampa, Florida, Dime's earn-

ings should rise to \$1.35 a share in 1988 from \$1.27 in 1987.

Prospectus Financial, with assets of more than \$500 million, has developed a strong niche in local residential real estate development on a small scale.

According to Gregg Novak of Ryan, Beck & Co., much of the real estate portfolio was acquired at

prices well below current market value.

## BUY A SLICE OF THE E.E.C. AND WATCH THE DOLLARS ROLL IN YEAR AFTER YEAR AFTER YEAR FOR 10 PROFITABLE YEARS

- US\$30,000 BUYS \$0.05 PER SET OF OUR UNIQUE PKT. PENDING SPORT FRAMES SOLD IN THE E.E.C. FOR 10 YEARS FOR 30 INVESTORS
- A STRAIGHT DOWN THE LINE INVESTMENT OFFER, FIRST COME FIRST SERVED
- EUROPEAN OFFSHORE COMPANY • RETURNS VETTED BY INT. AUDITORS • OPTICAL AND SUN LENSES • NO CONTACT WITH EARS AND NOSE • UNBELIEVABLE HABIT FORMING COMFORT AND STABILITY



RETURNS PER INVESTOR US \$0.05 PER SET SOLD IN THE E.E.C.			
Units sold	Returns per set	Total p.a.	%
100,000	0.05	5,000.00	16.8
200,000	0.05	10,000.00	33.33
300,000	0.05	15,000.00	50
400,000	0.05	20,000.00	66.6
500,000	0.05	25,000.00	83.5
600,000	0.05	30,000.00	100

Our targets are at least 1 million sales per annum netting \$50,000.00 per investor per annum year after year after year.

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Terry McAllan, the International patent holder will be at Sheraton Hotel, Frankfurt Airport on 23-25 July 1988  
Eduard Wolff Hotel, München on 26-27 July 1988  
Victoria Hotel, Amsterdam on 28-29 July 1988

or contact NEB SPORT Tel: Int.27.31.453164 Fax: 454694

## DIVESTITURE OF SELECTED STATE-OWNED ENTERPRISES IN GHANA

### INVITATION TO INTERESTED INVESTORS

#### PREAMBLE:

Ghana presently has no less than 161 State-owned Enterprises (SOEs) which are either wholly State-owned, or in which Government holds majority shares. In addition, there are 54 enterprises in which Government is a minority shareholder. Almost each one of these enterprises is in need of recapitalisation and rehabilitation in order to achieve improved viability. To undertake the funding of all these enterprises alone, in the face of the many other competing demands, the government will have to resort to additional large scale external borrowing. This will obviously worsen the national debt situation and introduce additional hardship on the people. To avert this situation the government has decided to mobilise available non-governmental resources for this purpose by inviting interested legal entities with the means to JOIN IN operating these enterprises. The invitation for EQUITY PARTICIPATION constitutes the government's DIVESTITURE PROGRAMME.

Through the participation scheme, the Government hopes to mobilise resources to strengthen the SOEs selected for the programme while we disburse budgetary resources to support the many strategic State-owned enterprises, which government wishes to continue to own wholly. Adequate safeguards have been designed to maintain the interests of the nation, the enterprises themselves, and their workforces under the programme.

#### ENTRIES FOR DIVESTITURE

The under-listed SOEs have been selected for the first phase of the programme:-

NAME OF ENTERPRISE	BUSINESS	NAME OF ENTERPRISE	BUSINESS



<tbl\_r

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Via The Associated Press

Analysts Project

By Jonathan Fuerbringer  
The Associated Press

**NEW YORK** — The dollar's recent short-term gains have been reversed, and could end up being a sideshow in a long-term campaign to restore the U.S. economy's strength.

Analysts say the dollar's recent

strength is due to a combination of higher interest rates, a slowdown in inflation and a fading concern over the U.S. economy's future.

But they also say the dollar's recent

strength is not likely to last.

The dollar holds at about

70 cents, which is about

the level it was at before

the recent gains.

Analysts say the dollar's recent

strength is due to a combination

of factors, including:

— A recent rise in interest

rates, which has made the

dollar more attractive to

foreign investors.

— A recent rise in oil

prices, which has made

the dollar more expensive

to buy.

— A recent rise in the

U.S. dollar's value, which

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Analysts say the dollar's recent

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The dollar holds at about

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## CURRENCY MARKETS

**DOLLAR:** Intervention Dents Rise of Dollar, but Stronger Moves Could Be Needed

(Continued from first finance page)

followed news of a narrowing than expected \$10.93 billion trade deficit for the U.S. in May.

Observed Brendan Brown, chief economist with CountyNatWest Investment Bank in London: "There's nothing to suggest that this was anything more than token intervention by the Fed, designed to show some international goodwill to the Bundesbank. It amounts to a drop in the bucket for the Fed."

Mr. Brown said he expected that the Bundesbank, after the limited effect of the currency intervention, would increase its key money-market security repurchase rate by more than the widely expected quarter of a percentage point on Tuesday. He said the short-term

## London Dollar Rates

Currencies Mon. Fri.

Deutsche mark 1.6282 1.6275

French francs 1.6095 1.6090

Swiss franc 1.5248 1.5242

British pound 1.5258 1.5256

French franc 0.8205 0.8205

Source: Reuters

repurchase rate may be increased to 4.25 percent, from its current 3.75 percent level, as an anti-inflationary move.

The stronger dollar threatens to choke off imports among U.S. trading partners that import dollar-denominated raw materials and other goods. Its former tone against most major currencies generated expectations that other countries would raise interest rates, which would tend to make assets denominated

in their currencies more attractive relative to the dollar.

Many analysts, however, are now predicting that levels above 1.90 DM, last seen in December 1986, are still within easy reach, barring a rigorous round of interest hikes by West Germany. The mark has been sagging against the dollar since mid-May.

A dollar/yen approaching 140 yen is not unthinkable, they added, again depending on further monetary tightening by the Bank of Japan.

The single most important factor in the strength of the dollar is the perception that the Federal Reserve, under Alan Greenspan, is

from growing confidence in U.S. economic performance, the dollar is being supported by the lack of firm intervention by U.S. and Japanese authorities, leading some economists to speculate on the demise of coordinated moves to manage the value of the dollar.

1987 the deficit was \$170.3 billion.

Such a long-term outlook for the dollar raises some questions about the Reagan administration's current policy and whether it should be tolerating the rally. The levels the dollar reached by the end of last week — 1.8805 DM and 135.45 yen — were even higher than assumed in the three analyses, which were prepared earlier in the week.

The predictions may seem far-fetched because the U.S. economy is in a record peacetime period of expansion, inflation is under relative control and officials appear to be pleased with the three-week rally of the dollar, which has climbed more than 6.7 percent against the Deutsche mark and 7.2 percent against the yen.

Lawrence Chimerine, chairman of WEFA Group of Bala Cynwyd, Pennsylvania, shows a similar reversal of the decline in both the merchandise trade deficit and the broader current account deficit, which includes services ranging from insurance to investment income.

In addition, Congress and the

administration are about to approve trade legislation aimed at opening foreign markets, and the U.S. trade deficit, after years at record levels, is shrinking, as shown in the \$10.93 billion deficit for May, reported Friday.

These analyses fit with a general

notion — although not a consensus — that the dollar must fall rather than climb to assure that the trade deficit continues to narrow. The level of the dollar has a key influence on the trade deficit, and even a small increase in the dollar can change the outlook, a factor that has gotten little attention.

Roger Brinner, the chief economist for Data Resources, said he was taken aback by the results of his study.

"It is a surprisingly tough outcome compared with most people's reactions to recent events on the dollar," he said. "I was surprised that the dollar would drag us down to 1 percent growth."

Lawrence Chimerine, chairman of WEFA Group, said: "I don't think I am in favor of pushing the dollar up. Stabilizing it would be fine with me. But pushing it up may be counterproductive."

C. Fred Bergsten, the director of the Institute for International Economics, said, "Even with an optimistic reading before the dollar rally, we were not going to get below

\$100 billion, and that is unsustainable."

An added danger is that for the time being the trade deficit figures are likely to continue to look good, further relieving worries about a rising dollar. The bad news would not begin to materialize until next year. That is because it takes so long for the effect of a rising or falling dollar to work its way through the U.S. economic system.

The danger caused by the long lag is that we will have a period of false assurance and confidence because of the rapid improvement in 1988 and 1989," said William Cline of the Institute for International Economics. "It is important that we are not lulled into a false sense of complacency."

The Data Resources analysis, the most detailed of the three, is based on a modification of the company's current economic forecast. The current outlook assumes that the dollar will depreciate in 1988, 1989 and 1990. With this assumption, the trade deficit is projected to be \$140 billion in 1988, declining to

\$129 billion in 1989 and \$115 billion in 1990.

In the alternative projection,

Data Resources assumes that the dollar will stay at the average level through 1990 that reflects the cur-

## Hongkong &amp; Shanghai Role Is Cut

By Coleen Geraghty  
International Herald Tribune

HONG KONG — Accounting changes in Hong Kong's banking system, which took effect Monday, curtailed Hongkong &amp; Shanghai Bank's dominance in money market operations and extended certain central bank functions to the territory's monetary authorities.

Economists and bankers assessed the changes as significant but said they did not go far enough toward reducing Hongkong &amp; Shanghai's privileged role as clearinghouse for the banking industry.

The changes give Hong Kong's monetary authorities more influence over the availability and price of funds in the interbank market, and, consequently, more power to

maintain exchange rate stability. The value of the Hong Kong dollar has been linked to that of the U.S. dollar since 1983, moving in a narrow range.

Under the new system, Hongkong &amp; Shanghai, the largest commercial bank in Hong Kong, has lost the power to control interbank market liquidity. In its previous role as the territory's central clearinghouse, the bank was able to influence the size of the net clearing balance, the total surplus of funds held by Hong Kong's banks against checks drawn against them.

That power has been transferred to the Exchange Fund as the ultimate provider of liquidity to the interbank market. The governmental Monetary Affairs Branch operates the fund.

Hongkong &amp; Shanghai now has to maintain a Hong Kong dollar account with the Exchange Fund, containing a balance no less than the net clearing balance of the rest of the system.

When the bank uses local currency to buy U.S. dollars for customers, causing a rise in the net clearing balance, it will be forced to finance the transaction by borrowing Hong Kong dollars in the interbank market, just as any other bank.

David Li, director and chief executive of the Bank of East Asia, a frequent spokesman for the Chinese banking community, welcomed the changes as long overdue.

"For five years, we have been complaining about the unfairness of Hongkong Bank's dominant role in the system," Mr. Li said. "There was a conflict of interest in the fact that the bank worked as an agent for the government while at the same time serving commercial clients."

Chris Pavlou, treasury manager of Hongkong &amp; Shanghai, agreed that the accounting changes removed certain conflicts of interest for the bank.

"We now have more freedom to act for our customers," he said. "Previously, our interbank market responsibilities could prevent us from getting the best exchange rate for our customers."

Several bankers said the changes cast the government in the role of a quasi-central bank, although monetary authorities denied seeking such a position.

Other observers, including the influential Chinese-language Hong Kong Economic Journal, said they saw the new rules as an attempt to modify Hongkong &amp; Shanghai's dominant role in the system before 1997, when that position might be assumed by the Bank of China.

Despite the changes, Hongkong &amp; Shanghai's powerful position in the local market remains essentially undiminished, bankers and economists agreed.

## Analysts Project Long-Term Dangers to U.S. Economy Arising From Strong Dollar

By Jonathan Fuerbringer

New York Times Service

NEW YORK — The dollar's rally has had short-term benefits for the U.S. economy, including making imports cheaper and reducing the prospect of higher inflation.

But it hides long-term dangers, including a slowdown in economic growth and a widening, rather than narrowing, of the U.S. merchandise trade deficit, according to three new economic studies.

Although the negative impact from an even slightly stronger dollar will not be seen before November's presidential election, it could show the seeds of serious economic problems over the next several years for whoever is elected, the figures show.

If the dollar holds at about its present level without falling back, the trade deficit will stop shrinking in 1989 and will begin to expand again in 1990, according to an analysis prepared for The New York Times by Data Resources Inc. of Lexington, Massachusetts. This is because imports to the United

States will increase as they become cheaper and exports will decline as they become more expensive abroad.

And Data Resources' projected economic growth rates for 1989 and 1990 are around 1 percent a year, lower than anticipated now, because of the decline in production of exports. Economic growth at this level would mean rising unemployment.

A second analysis, prepared for the Times by WEFA Group of Bala Cynwyd, Pennsylvania, shows a similar reversal of the decline in both the merchandise trade deficit and the broader current account deficit, which includes services ranging from insurance to investment income.

And an independent analysis prepared by the Institute for International Economics in Washington shows that even before the recent rally in the dollar, its level was still high enough in the first quarter of this year so that the trade deficit would stop shrinking in two years and not go below \$100 billion. In

1987 the deficit was \$170.3 billion.

Such a long-term outlook for the dollar raises some questions about the Reagan administration's current policy and whether it should be tolerating the rally. The level of the dollar reached by the end of last week — 1.8805 DM and 135.45 yen — were even higher than assumed in the three analyses, which were prepared earlier in the week.

The predictions may seem far-fetched because the U.S. economy is in a record peacetime period of expansion, inflation is under relative control and officials appear to be pleased with the three-week rally of the dollar, which has climbed more than 6.7 percent against the Deutsche mark and 7.2 percent against the yen.

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## Monday's OTC Prices

NASDAQ prices as of 4 p.m. New York time.

This list compiled by the AP consists of the 1,000 most frequently traded stocks.

It is updated twice a year.

Via The Associated Press

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